Joe Morolong Local Municipality
(Demarcation Code NC451)
Annual Financial Statements

For the year ended 30 June, 2020
Auditor General of South Africa

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of1996)
Nature of business and principal activities	The provision of services to the community in a sustainable manner
Mayoral Committee	
Mayor	Councillor Leutlwetse D.D.
Speaker	Councillor Jordan V.
Councillors	Councillor Block J. Councillor Dioka S. Councillor Earabang O. Councillor Gomolemo O.N. Councillor Gwai L. Councillor Josop D. Councillor Kaebis L. Councillor Kaotsane G.G. Councillor Katong J. Councillor Kgopodithata O.H. Councillor Lentsela S. Councillor Makoku M. Councillor Matebese L. Councillor Matsioloko O. Councillor Modise K.J. Councillor Mokgautsi O. Councillor Morogong N. Councillor Sebogodi L.W Councillor Nhlapo M. Councillor Segano S. Councillor Seikaneng L.F. Councillor Sekamoeng K.P. Councillor Sephekolo M.G. Councillor Sesing T. Councillor Tagane G. Councillor Tswere N. Councillor Witbooi P.J.
Grading of local authority	2
Chief Finance Officer (CFO)	Mrs B. D. Motlhaping
Accounting Officer	Mr T.M. Tlhoaele
Registered Office	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474
Business Address	D320 Cardington Road Churchill Village Mothibistad Kuruman 8474

General Information

Postal Address	Private Bag X117 Mothibistad Kuruman 8474
Bankers	Standard Bank ABSA Bank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the Annual Financial Statements presented to Joe Morolong Local Municipality:

Abbreviations

ABSA	Amalgamated Banks of Southern Africa
FMG	Financial Management Grant
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
HIV	Human Immuno-deficiency Syndrome
IGRAP	Interpretation of Standards of Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
SALGBC	South Africal Local Government Bargaining Council
SARS	South African Revenue Services
SCM	Supply Chain Management
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Accounting Officer's Responsibility and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Fnancial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended.

The Annual Financial Statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial controls established by the Municipality and places considerable importance on maintaining a strong control environment. To enable him to meet these responsibilities, he has set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

In the Accounting Officer's opinion, based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Municipality is partially dependent on the government for continued funding of operations. The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that it has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

The Annual Financial Statements set out on page 1-72, which have been prepared on the going concern basis, were approved by the Accounting Officer on 10 December 2020 and were signed on its behalf by:

Mr T.M. Tlhoaele
Municipal Manager

Statement of Financial Position as at 30 June, 2020

Figures in Rand	Note(s)	2020	2019 Restated*
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	2,870,450	3,941,148
Inventories	4	7,166,911	13,780,377
Other Receivables	5	234,322	-
Receivables from Exchange Transactions	6	159,562,125	124,793,057
Receivables from Non-Exchange Transactions	7	114,200,891	67,559,782
VAT receivable	8	26,410,061	28,548,303
		310,444,760	**238,622,667**
Non-Current Assets			
Property, Plant and Equipment	9	1,490,444,473	1,533,190,072
Intangible Assets	10	1,730,368	2,563,404
		1,492,174,841	**1,535,753,476**
Non-Current Assets		1,492,174,841	1,535,753,476
Current Assets		310,444,760	238,622,667
TOTAL ASSETS		**1,802,619,601**	**1,774,376,143**
LIABILITIES			
Current Liabilities			
Other Financial Liabilities	11	194,277	196,450
Payables From Exchange Transactions	12	55,549,099	62,962,270
Consumer Deposits	13	32,918	12,124
Employee Benefit Obligation	15	172,802	378,549
Unspent Conditional Grants and Receipts	14	365,426	5,101,040
Bank Overdraft	3	-	2,385
		56,314,522	**68,652,818**
Non-Current Liabilities			
Other Financial Liabilities	11	806,864	1,002,457
Employee Benefit Obligation	15	1,921,784	1,701,119
Provisions	16	1,918,095	1,968,050
		4,646,743	**4,671,626**
Non-Current Liabilities		4,646,743	4,671,626
Current Liabilities		56,314,522	68,652,818
TOTAL LIABILITIES		**60,961,265**	**73,324,444**
Assets		1,802,619,601	1,774,376,143
Liabilities		(60,961,265)	(73,324,444)
NET ASSETS		**1,741,658,336**	**1,701,051,699**
Accumulated Surplus		1,741,658,336	1,701,051,699

* See Note 45

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
REVENUE			
Revenue From Exchange Transactions			
Service Charges	18	22,456,098	23,696,657
Miscellaneous Income	19	-	98,162
Rental of Facilities and Equipment	20	51,461	30,052
Interest From Arrear Accounts	21	9,870,269	12,367,126
Other Income	22	545,972	253,809
Interest Received	23	1,717,478	1,517,713
Total Revenue From Exchange Transactions		**34,641,278**	**37,963,519**
Revenue From Non-Exchange Transactions			
Taxation Revenue			
Property Rates	24	42,843,721	37,733,768
Transfer Revenue			
Government Grants and Subsidies	25	257,513,726	246,859,687
Public Contributions and Donations	26	9,633,164	1,252,628
Total Revenue From Non-Exchange Transactions		**309,990,611**	**285,846,083**
		34,641,278	37,963,519
		309,990,611	285,846,083
Total Revenue	17	**344,631,889**	**323,809,602**
EXPENDITURE			
Employee Related Costs	27	(63,573,063)	(64,963,432)
Remuneration of Councillors	28	(12,016,542)	(11,554,688)
Depreciation and Amortisation	29	(126,611,161)	(126,598,769)
Impairment loss/ Reversal of impairments	46	7,665,229	33,078,684
Finance Costs	30	(243,891)	(201,187)
Bulk Purchases	31	(11,796,345)	(11,866,854)
Transfers and Subsidies	32	(34,906,019)	(13,143,038)
General Expenses	33	(62,543,461)	(57,985,159)
TOTAL EXPENDITURE		**(304,025,253)**	**(253,234,443)**
		-	-
Surplus for the year		**40,606,636**	**70,575,159**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Balance at 1 July, 2018	**1,301,665,794**	**1,301,665,794**
Changes in Net Assets		
Surplus for the year	70,575,159	70,575,159
Total Changes	70,575,159	70,575,159
Opening balance as previously reported	1,372,240,954	1,372,240,954
Adjustments		
Correction of errors	328,810,746	328,810,746
Restated* Balance at 1 July, 2019 as restated*	**1,701,051,700**	**1,701,051,700**
Changes in Net Assets		
Surplus for the year	40,606,636	40,606,636
Total Changes for the year	40,606,636	40,606,636
Balance at 30 June, 2020	**1,741,658,336**	**1,741,658,336**

* See Note 45

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		42,843,721	37,733,769
Sale of goods and services		34,627,158	24,387,043
Grants	25&14	252,544,099	247,697,027
Interest Income	23	1,717,478	1,517,713
Other receipts		819,941	1,252,628
		332,552,397	312,588,180
Payments			
Employee Costs		(76,497,413)	(77,755,612)
Suppliers		(172,298,494)	(84,695,260)
Finance Costs	30	(243,891)	(201,187)
		(249,039,798)	(162,652,059)
Total receipts		332,552,397	312,588,180
Total payments		(249,039,798)	(162,652,059)
Net cash flows from operating activities	35	**83,512,599**	**149,936,121**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(84,899,730)	(136,251,246)
Write offs on property, plant and equipment	9	653,405	3,301,816
Purchase of other intangible assets	10	(136,821)	(2,600,000)
Net cash flows from investing activities		**(84,383,146)**	**(135,549,430)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities	11	(197,766)	(91,036)
Finance lease payments		-	(3,198,261)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(197,766)**	**(3,289,297)**
Net increase/(decrease) in cash and cash equivalents		**(1,068,313)**	**11,097,394**
Cash and cash equivalents at the beginning of the year		3,938,763	(7,158,631)
Cash and Cash Equivalents at the End of the Year	3	**2,870,450**	**3,938,763**

* The municipality utilised an amount of R 84 899 730 on various infrastructure projects and acquisition of other movable assets during the financial year.

* See Note 45

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from Exchange Transactions						
Service Charges	21,507,883	(11,620,669)	**9,887,214**	22,456,098	**12,568,884**	[1]
Rental of facilities and equipment	93,480	(25,944)	**67,536**	51,461	**(16,075)**	[2]
Interest received (trading)	12,594,897	(3,000,248)	**9,594,649**	9,870,269	**275,620**	[3]
Licences and permits	10,000	(10,000)	**-**	-	**-**	
Other income	352,011	1,251,955	**1,603,966**	545,972	**(1,057,994)**	[4]
Interest received - investment	500,000	-	**500,000**	1,717,478	**1,217,478**	[5]
Total revenue from exchange transactions	**35,058,271**	**(13,404,906)**	**21,653,365**	**34,641,278**	**12,987,913**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	37,308,475	(15,801,935)	**21,506,540**	42,843,721	**21,337,181**	[6]
Transfer revenue						
Government grants & subsidies	151,082,130	(4,212,440)	**146,869,690**	257,513,726	**110,644,036**	[7]
Public contributions and donations	-	-	**-**	9,633,164	**9,633,164**	[8]
Other own revenue	-	-	**-**	-	**-**	
Total revenue from non-exchange transactions	**188,390,605**	**(20,014,375)**	**168,376,230**	**309,990,611**	**141,614,381**	
'Total revenue from exchange transactions'	35,058,271	(13,404,906)	**21,653,365**	34,641,278	**12,987,913**	
'Total revenue from non-exchange transactions'	188,390,605	(20,014,375)	**168,376,230**	309,990,611	**141,614,381**	
Total revenue	**223,448,876**	**(33,419,281)**	**190,029,595**	**344,631,889**	**154,602,294**	
Expenditure						
Employee Costs	(82,577,424)	20,576,747	**(62,000,677)**	(63,573,063)	**(1,572,386)**	[9]
Remuneration of councillors	(11,881,098)	(1,163,364)	**(13,044,462)**	(12,016,542)	**1,027,920**	
Depreciation and amortisation	(13,833,046)	-	**(13,833,046)**	(126,611,161)	**(112,778,115)**	[10]
Impairment loss/ Reversal of impairments	(1,372,175)	-	**(1,372,175)**	7,665,229	**9,037,404**	[11]
Finance costs	(195,864)	-	**(195,864)**	(243,891)	**(48,027)**	[12]
Bulk purchases	(14,291,000)	-	**(14,291,000)**	(11,796,345)	**2,494,655**	[13]
Transfers and Subsidies	(200,000)	200,000	**-**	(34,906,019)	**(34,906,019)**	[14]
General Expenses	(86,937,000)	(3,263,362)	**(90,200,362)**	(62,543,461)	**27,656,901**	[15]
Total expenditure	**(211,287,607)**	**16,350,021**	**(194,937,586)**	**(304,025,253)**	**(109,087,667)**	
	223,448,876	(33,419,281)	**190,029,595**	344,631,889	**154,602,294**	
	(211,287,607)	16,350,021	**(194,937,586)**	(304,025,253)	**(109,087,667)**	
Operating surplus	**12,161,269**	**(17,069,260)**	**(4,907,991)**	**40,606,636**	**45,514,627**	
Transfers and Subsidies - Capital	107,023,749	-	**107,023,749**	-	**(107,023,749)**	
	12,161,269	(17,069,260)	**(4,907,991)**	40,606,636	**45,514,627**	
	107,023,749	-	**107,023,749**	-	**(107,023,749)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus before taxation	**119,185,018**	**(17,069,260)**	**102,115,758**	**40,606,636**	**(61,509,122)**	
Deficit before taxation	119,185,018	(17,069,260)	**102,115,758**	40,606,636	**(61,509,122)**	
Taxation	-	-	**-**	-	**-**	
Surplus for the year	**119,185,018**	**(17,069,260)**	**102,115,758**	**40,606,636**	**(61,509,122)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	1,666,576	**1,666,576**	7,166,911	**5,500,335**	[16]
Receivables from Non-Exchange Transactions	-	-	**-**	114,200,891	**114,200,891**	[17]
VAT receivable	-	-	**-**	26,410,061	**26,410,061**	[18]
Other Receivables	-	-	**-**	234,322	**234,322**	[19]
Receivables from Exchange Transactions	34,838	162,231,186	**162,266,024**	159,562,125	**(2,703,899)**	[20]
Other debtors	76	30,139,499	**30,139,575**	-	**(30,139,575)**	[21]
Call investment deposits	-	627,531	**627,531**	1,650,369	**1,022,838**	[22]
Cash and Cash Equivalents	2,000	73,546,304	**73,548,304**	1,220,081	**(72,328,223)**	[23]
	36,914	**268,211,096**	**268,248,010**	**310,444,760**	**42,196,750**	
Non-Current Assets						
Property, Plant and Equipment	120,250,939	1,268,682,612	**1,388,933,551**	1,490,444,474	**101,510,923**	[24]
Intangible Assets	100,000	1,769,737	**1,869,737**	1,730,368	**(139,369)**	[25]
	120,350,939	**1,270,452,349**	**1,390,803,288**	**1,492,174,842**	**101,371,554**	
Non-Current Assets	36,914	268,211,096	**268,248,010**	310,444,760	**42,196,750**	
Current Assets	120,350,939	1,270,452,349	**1,390,803,288**	1,492,174,842	**101,371,554**	
Total Assets	**120,387,853**	**1,538,663,445**	**1,659,051,298**	**1,802,619,602**	**143,568,304**	
Liabilities						
Current Liabilities						
Other Financial Liabilities	-	4,578	**4,578**	194,277	**189,699**	[26]
Payables From Exchange Transactions	518	86,294,755	**86,295,273**	55,549,098	**(30,746,175)**	[27]
Consumer deposits	-	10,635	**10,635**	32,918	**22,283**	[28]
Employee Benefit Obligation	-	-	**-**	172,802	**172,802**	[29]
Unspent Conditional Grants and Receipts	-	-	**-**	365,426	**365,426**	[30]
Provisions	38	3,237,049	**3,237,087**	-	**(3,237,087)**	[31]
	556	**89,547,017**	**89,547,573**	**56,314,521**	**(33,233,052)**	
Non-Current Liabilities						
Other Financial Liabilities	1	196,449	**196,450**	806,864	**610,414**	[26]
Employee Benefit Obligation	-	-	**-**	1,921,784	**1,921,784**	[29]
Provisions	-	2,986,772	**2,986,772**	1,918,095	**(1,068,677)**	[31]
	1	**3,183,221**	**3,183,222**	**4,646,743**	**1,463,521**	
	556	89,547,017	**89,547,573**	56,314,521	**(33,233,052)**	
	1	3,183,221	**3,183,222**	4,646,743	**1,463,521**	
	-	-	**-**	-	**-**	
Total Liabilities	**557**	**92,730,238**	**92,730,795**	**60,961,264**	**(31,769,531)**	
Assets	120,387,853	1,538,663,445	**1,659,051,298**	1,802,619,602	**143,568,304**	
Liabilities	(557)	(92,730,238)	**(92,730,795)**	(60,961,264)	**31,769,531**	
Net Assets	**120,387,296**	**1,445,933,207**	**1,566,320,503**	**1,741,658,338**	**175,337,835**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Reserves						
Accumulated Surplus	120,387,296	1,445,933,207	**1,566,320,503**	1,741,658,338	**175,337,835**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

1] The municipality used an incorrect basis of budgeting for the service charges, where the actual receipts were used instead of the billing.

2] Rental of facilities is lower than what was budgeted, due to the Covid-19 lockdown period. There was not much activity happening during the period.

3] The Municipality budgeted using collections. The collections was thus lower in addition there was an increase in properties on the valuation roll.

4] Other income is lower than what was budgeted, due to the Covid-19 lockdown period. There were not much activities happening.

5] Due to Covid-19 lockdown. There were not much activities happening.The Municipality thus had more funds available to invest that earned interest.

6] An increase in properties, changes on market values on the valuation roll as well tariffs

7] There was an increase in donations from the mines. One which relates to the construction of the Magobing Road and another for the Mining Indaba that the municipality officials attended. These amounts were not budgeted for as it is a donation.

8] The municipality budgeted using collections. The collections was thus lower in addition there was an increase in properties on the valuation roll.

9] The employee related cost increased during the year was due to departmental employees that worked overtime during the latter part of the year.

10] The councillors remuneration decreased due to less travelling during the lockdown period.

11] Property Rates billed once for two financial years was reversed. The Municipality did not anticipate any impairment loss.

12] Timing difference as the municipality are not using a zero based budget.

13] During the lockdown period, the commercial and business customers of the municipality had lower or interupted operational activities leading to less usage of the services. This in turn affected the municipality's purchases as there were no/less customers to sell to.

14] The transfers and subsidies exist as a result of Dry Sanitation toilets that were handed over to the community in the current year. These were sitting as invemtory in the prior year.

15] General Expenditure is lower than budgeted due to lockdown implemented by governement to curb Covid -19. This resulted in lesser spending in the 2019-20 financial year.

16] There was an increase in inventories due to reclassification of transfers and subsidies. Not all VIP sanitation toilets have been transferred to the community as at year end.

17] Property rates billed in 2019/2020 was unanticipated.

18] Vat Receivable was not budgeted for.

19] Other Receivables was not budgeted for as it relates to unauthorised debit orders as well as fuel prepayments..

20] Receivables from Exchange Transactions is lesser than budgeted due to the use of estimates in billing.

21] There were no other debtors.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

22] Call investment deposits - Due to lockdown implemented by government to curb Covid - 19. More funds were available to invest than budgeted.

23] The budgeted amount for the bank was based on a inflated projection of collection rates on the receipts by the municipality.

24] Property Plant and Equipment are more than budgeted as additional assetswere bought or constructed in the current year as well as public contributions on capital projects which was not budgeted for.

25] Intangible assets are lower than the budget due to amortisation not taken into account on the budget.

26] In the budgeting process, the municipality did not take into account the amortisation schedule of the loan from DBSA to costruct the budget.

27] During the financial year, the impact of Covid-19 affected the operations of the municiplaity and thus there was less spending.

28] Consumer Deposits - The Consumer Deposits are more than budgeted due to the new water yard connection deposits by customers, services are yet to be rendered.

29] The municipality did not budget separately for the line item apart from the Employee related costs.

30] No budget is done for the unspent grants and subsidies by the municiplaity.

31] The estimates done for the provisions were not in consultation with the relevent consultants.

Accounting Policies

The Annual Financial Statements of Joe Morolong Local Municipality for the year ended 30 June 2020 were authorized for issue by the Accounting Officer on 10 December 2020. (Page 1)

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Receivables

The Municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change and this may impact our estimations and require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates, inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives and residual values

The Municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Long Service Awards

The long service awards liability arises from the municipality being part of a Collective Agreement and Conditions of Service Northern Cape Division of SALGBC. The long service award plan is a defined benefit plan accounted for in terms of GRAP.

1.4 Inventories

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the itme are expected to flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

1.4 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are issued, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Accounting Policies

1.5 Financial Instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-Exchange Transactions	Financial asset measured at amortised cost
VAT Receivable	Financial asset measured at fair value
Cash and Cash Equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from Exchange Transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial asset measured at cost
Bank Overdraft	Financial liability measured at amortised cost
Financial Liabilities	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

1.5 Financial Instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Accounting Policies

1.5 Financial Instruments (continued)

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.5 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.5 Financial Instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand (including petty cash), short-term investments an cash in the bank account. Cash equivalents are short-term highly liquid investments, readily convertable into known amounts of cash that are held with a registered banking institutions, with maturity of three months or less, subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdtafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised costs.

Bank overdrafts are recorded based on the facility utilised. Finance costs on bank overdrafts are expenses as when they are incurred. Amounts owing in respect of bank overdrafts are recognised as financial liabilities carried at amortised cost.

1.7 Property, Plant and Equipment

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.7 Property, Plant and Equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, Plant and Equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Infinite years
Buildings	Straight line	10-50 years
Plant and Machinery	Straight line	2-15 years
Computer Equipment	Straight line	5-7 years
Office Equipment	Straight line	3 years
Furniture and Fittings	Straight line	2-7 years

1.7 Property, Plant and Equipment (continued)

Infrastructure Assets	Straight line	10-80 years
Motor Vehicles	Straight line	7 years
Leased Assets	Straight line	3-5 years
Other machinery & equipment	Straight line	7 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and

(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible Assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible Assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

1.9 Intangible Assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Accounting Policies

1.11 Construction contracts and receivables (continued)

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by surveys of work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.12 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.13 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Accounting Policies

1.14 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

1.14 Employee benefits (continued)

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

1.14 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

1.17 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Donations and Contributions

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.18 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 Unauthorised Expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

1.24 Budget information (continued)

The approved budget covers the fiscal period from 01-Jul-19 to 30-Jun-20.

The budget for the economic entity includes all the entities approved budgets under its control.

The Annual Financial Statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	1 April, 2019	The impact of the is not material.
• GRAP 108: Statutory Receivables	1 April, 2019	The impact of the is not material.
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	1 April, 2019	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 1 July, 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact

3. Cash and Cash Equivalents

Cash and Cash Equivalents consist of:

	2020	2019
Bank balances	1,220,081	3,469,639
Short-Term Deposits*	1,650,369	469,124
	2,870,450	**3,938,763**
Current Assets	2,870,450	3,941,148
Current Liabilities	-	(2,385)
	2,870,450	**3,938,763**

* As of 30th June 2019 a balance of R2 781 448 was included in short term deposits. This amount has since been reclassified as a bank balance in the comparative.There was no cash and cash equivalents pledged as collateral security.

Figures in Rand	2020	2019

3. Cash and Cash Equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank Statement Balances		Cash Book Balances	
	30 June, 2020	30 June, 2019	30 June, 2020	30 June, 2019
Standard Bank - Primary Account: 302854187	6,275,512	4,167,083	991,927	2,781,447
ABSA - Primary Account: 4054385292	228,154	1,630,374	228,154	688,192
ABSA - Call Account: 92888820487	-	-	-	-
ABSA - Fixed Deposit: 2078093801	360,323	342,226	360,323	342,226
ABSA - Fixed Deposit: 2078344125	158,829	2,385	158,829	-
FNB - Call Deposit: 62247117709	-	521	-	-
ABSA - Fixed Deposits: 2073969801	-	37,169	-	-
ABSA - Depositor Plus: 9297200038	2,495	2,495	2,495	2,555
Standard Bank - Money Market Call Account - 548529973003	-	-	-	-
Nedbank - Call Deposit: 7881112840/000005	1,739	1,648	1,739	1,648
Nedbank - Call Deposit: 7881112840/000013	-	10,521	-	-
Standard Bank - Call Account: 548529973002	5,817	5,707	5,817	5,718
Standard Bank - Money Market Call Account: 548529973003	291	291	291	291
Standard Bank - Fixed Deposit: 5088662043-018	305,309	115,400	305,309	116,023
Standard Bank - Fixed Deposit: 5088662043-019	122,913	693	122,913	663
ABSA-Fixed Deposits:93-5308-1205	692,653	-	692,653	-
Total	**8,154,035**	**6,316,513**	**2,870,450**	**3,938,763**

4. Inventories

	2020	2019
Consumable Stores	1,778,639	1,640,283
Water Inventory	32,460	26,293
Inventories held for distribution	5,355,812	12,113,801
	7,166,911	**13,780,377**

The Municipality's inventory is measured on FIFO (First In First Out) basis .

Inventory pledged as security

There was no inventory pledged as security.

5. Other Receivables

	2020	2019
Fuel prepayments	114,922	-
Other Debtors	119,400	-
	234,322	**-**

6. Receivables from exchange transactions

	2020	2019
Gross Balances		
Electricity	7,482,752	6,442,118
Water	67,652,585	47,979,518
Sewerage	12,161,889	8,655,164
Refuse	7,973,360	6,036,350
Sundry debtors	64,433,959	63,308,351
	159,704,545	**132,421,501**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. Receivables from exchange transactions (continued)

Less: Allowance for Impairment		
Electricity	(7)	(1,744,127)
Water	(3,575)	(3,869,070)
Sewerage	-	(345,658)
Refuse	(2,376)	(1,551,344)
Sundry debtors	(136,462)	(118,245)
	(142,420)	**(7,628,444)**

Net Balance		
Electricity	7,482,745	4,697,991
Water	67,649,010	44,110,448
Sewerage	12,161,889	8,309,506
Refuse	7,970,984	4,485,006
Sundry debtors	64,297,497	63,190,106
	159,562,125	**124,793,057**

Electricity		
Current (0 -30 days)	117,386	176,102
31 - 60 days	116,782	145,276
61 - 90 days	116,178	52,652
91 - 120 days	115,573	88,250
121 - 365 days	694,185	791,173
> 365 days	6,322,649	5,188,663
	7,482,751	6,442,118
Less : Allowance for impairment	(7)	(1,744,125)
	7,482,745	**4,697,991**

Water		
Current (0 -30 days)	1,787,416	1,599,392
31 - 60 days	1,776,147	1,602,226
61 - 90 days	1,760,059	1,413,440
91 - 120 days	1,745,657	1,536,370
121 - 365 days	13,501,973	12,038,889
> 365 days	47,081,334	29,789,201
	67,652,586	47,979,518
Less : Allowance for impairment	(3,576)	(3,869,070)
	67,649,010	**44,110,448**

Sewerage		
Current (0 -30 days)	327,156	280,448
31 - 60 days	324,356	269,140
61 - 90 days	321,123	247,805
91 - 120 days	318,670	245,918
121 - 365 days	2,429,997	1,860,624
> 365 days	8,440,587	5,751,230
	12,161,889	8,655,165
Less : Allowance for impairment	-	(345,659)
	12,161,889	**8,309,506**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	186,610	167,027
31 - 60 days	184,903	159,579
61 - 90 days	182,872	155,032
91 - 120 days	181,402	153,821
121 - 365 days	1,371,186	1,168,120
> 365 days	5,866,387	4,232,771
	7,973,360	6,036,350
Less : Allowance for impairment	(2,376)	(1,551,344)
	7,970,984	**4,485,006**

Sundry Debtors		
Current (0 -30 days)	2,480,587	374,877
31 - 60 days	-	282,459
61 - 90 days	-	55,464
91 - 120 days	43,911	226,408
121 - 365 days	633,141	605,926
> 365 days	61,276,321	61,763,217
	64,433,960	63,308,351
Less : Allowance for impairment	(136,463)	(118,245)
	64,297,497	**63,190,106**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(7,628,444)	54,056,948
Contributions to allowance	7,486,024	(7,628,444)
Reversal of allowance	-	(54,056,948)
	(142,420)	**(7,628,444)**

Receivables from exchange transactions pledged as security

There were no Receivables from exchange transactions pledged as security.

Receivables from exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	13,618,825	3,260,936
2 months past due	10,890,260	3,062,070
3 months past due	10,866,151	2,539,735

7. Receivables from Non-Exchange Transactions

Property rates	157,072,214	111,960,932
Allowance for Impairment	(42,871,323)	(44,401,150)
	114,200,891	**67,559,782**

Receivables from Non-Exchange Transactions pledged as security

There were no Receivables from non-exchange transactions pledged as security.

Figures in Rand	2020	2019

7. Receivables from Non-Exchange Transactions (continued)

Receivables from Non-Exchange Transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	8,719,671	663,090
2 months past due	8,488,072	603,390
3 months past due	8,485,919	615,343

8. VAT receivable

VAT	26,410,061	28,548,303

9. Property, Plant and Equipment

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	5,101,701	-	5,101,701	5,101,701	-	5,101,701
Buildings	53,210,364	(28,575,206)	24,635,158	53,094,318	(27,371,450)	25,722,868
Furniture and Office equipment	6,429,782	(4,848,274)	1,581,508	6,351,858	(4,002,744)	2,349,114
Transport Assets	32,822,358	(25,941,167)	6,881,191	33,652,714	(21,046,683)	12,606,031
Computer Equipment	2,808,861	(1,797,384)	1,011,477	2,234,189	(1,465,642)	768,547
Infrastructure	3,099,827,387	(1,687,724,895)	1,412,102,492	3,017,694,564	(1,572,523,699)	1,445,170,865
Community	81,415,268	(42,499,133)	38,916,135	81,415,268	(40,550,916)	40,864,352
Machinery and Equipment	2,107,563	(1,892,752)	214,811	2,171,162	(1,564,568)	606,594
Total	**3,283,723,284**	**(1,793,278,811)**	**1,490,444,473**	**3,201,715,774**	**(1,668,525,702)**	**1,533,190,072**

Reconciliation of property, plant and equipment - June 2020

	Opening Carrying Value	**Additions**	**Write offs**	**Transfers**	**Depreciation**	**Impairment loss**	**Total**
Land	5,101,701	-	-	-	-	-	5,101,701
Buildings	25,722,868	116,045	-	-	(1,203,755)	-	24,635,158
Furniture and Office equipment	2,349,114	91,706	(5,234)	-	(827,019)	(27,059)	1,581,508
Transport Assets	12,606,031	-	-	-	(5,724,840)	-	6,881,191
Computer Equipment	768,547	693,934	(70,197)	-	(316,836)	(63,971)	1,011,477
Infrastructure	1,445,170,864	29,052,855	(530,339)	54,990,719	(116,249,516)	(332,091)	1,412,102,492
Community	40,864,352	-	-	-	(1,947,397)	(820)	38,916,135
Machinery and Equipment	606,594	-	(47,635)	-	(341,798)	(2,350)	214,811
	1,533,190,071	**29,954,540**	**(653,405)**	**54,990,719**	**(126,611,161)**	**(426,291)**	**1,490,444,473**

9. Property, Plant and Equipment (continued)

Reconciliation of property, plant and equipment - June 2019

	Opening Carrying Value	Additions	Write offs	Transfers	Depreciation	Impairment loss	Total
Land	5,101,701	-	-	-	-	-	5,101,701
Buildings	26,928,167	-	-	-	(1,205,299)	-	25,722,868
Furniture and office equipment	3,626,908	173,698	(436,346)	-	(988,063)	(27,083)	2,349,114
Motor vehicles	19,930,943	-	(1,011,819)	-	(5,881,308)	(431,785)	12,606,031
Computer Equipment	1,596,232	359,583	(665,571)	-	(475,558)	(46,139)	768,547
Infrastructure	1,461,672,075	70,678,550	-	28,264,025	(115,443,785)	-	1,445,170,865
Community	42,806,434	-	-	-	(1,942,082)	-	40,864,352
Machinery and equipment	2,407,677	57,400	(1,188,080)	-	(662,673)	(7,730)	606,594
	1,564,070,137	**71,269,231**	**(3,301,816)**	**28,264,025**	**(126,598,768)**	**(512,737)**	**1,533,190,072**

Pledged as security

None of the above Property, plant and equipment has been pledged as security:

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Opening Balance	122,869,739	25,946,311
Roads	52,398,141	33,931,156
Water network	34,373,489	62,992,272
	209,641,369	**122,869,739**

9. Property, Plant and Equipment (continued)

Reconciliation of Work-in-Progress June 2020

	Included within Infrastructure	Total
Opening balance	174,507,039	174,507,039
Additions/capital expenditure	84,043,574	84,043,574
Transferred to completed items	(54,990,718)	(54,990,718)
	203,559,895	**203,559,895**

Reconciliation of Work-in-Progress June 2019

	Included within Infrastructure	Total
Opening balance	103,828,489	103,828,489
Additions/capital expenditure	98,942,575	98,942,575
Transferred to completed items	(28,264,025)	(28,264,025)
	174,507,039	**174,507,039**

Expenditure incurred to repair and maintain property, plant and equipment

	2020	2019
Buildings	312,178	180,943
Electrical Maintenance	268,010	-
Vehicle Maintenance	2,299,930	522,960
Water Maintenance	191,180	-
Waste Water Maintenance	142,900	58,761
	3,214,198	**762,664**

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible Assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	3,726,379	(1,996,011)	1,730,368	3,589,558	(1,026,154)	2,563,404

Reconciliation of intangible assets - June 2020

	Opening balance	Additions	Amortisation	Total
Computer Software	2,563,404	136,821	(969,857)	1,730,368

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

10. Intangible Assets (continued)

Reconciliation of intangible assets - June 2019

	Opening balance	Additions	Amortisation	Total
Computer Software	265,906	2,600,000	(302,502)	2,563,404

11. Other financial liabilities

	2020	2019
At amortised cost		
Development Bank of South Africa - Short Term Portion	194,277	196,450
Development Bank of South Africa - Long Term Portion	806,864	1,002,457
Total other financial liabilities	**1,001,141**	**1,198,907**
Non-current liabilities		
At amortised cost	806,864	1,002,457
Current liabilities		
At amortised cost	194,277	196,450

Defaults and breaches

The loan accrues interest at a fixed rate of 8.848%. Any amounts in arrears accrue interest at a fixed rate of 10.848%. The capital is payable in bi-annual installments of R48 374.01 over 20 years. The interest portion is repayable in bi-annual instalments of R49 114.75.

The municipality defaulted in paying installments during the period ended 30 December 2019.

12. Payables From Exchange Transactions

	2020	2019
Trade Payables	25,643,260	35,943,035
Debtors with credit balances	5,193,558	5,184,045
Payables to National Treasury	335,040	-
Accruals	7,280,501	2,566,349
Leave Provision	4,892,431	4,600,390
Managers Structured Bonus	91,353	123,822
Other creditors	555,752	5,546,075
Retention Fees	8,804,716	6,196,905
Bonus Provision	2,525,160	2,616,447
Kumba Graduate Programme	185,202	185,202
Unallocated Deposits	42,126	-
	55,549,099	**62,962,270**

13. Consumer Deposits

	2020	2019
New Water Connections	32,918	12,124

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

14. Unspent Conditional Grants and Receipts

Unspent Conditional Grants and Receipts comprises of:

Unspent Conditional Grants and Receipts		
Financial Management Grant (FMG)	341,602	-
Library Grant	23,824	-
Municipal Infrastructure Grant (MIG)	-	4,769,313
Housing Grant	-	331,727
	365,426	**5,101,040**

Movement during the year

Additions	252,913,000	122,944,000
Income recognition during the year	(252,547,574)	(117,842,960)
	365,426	**5,101,040**

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

15. Employee benefit obligations

Defined benefit plan

The employee benefit obligations relate to long service bonus awards.

Long service bonus awards

The municipality has an obligation to provide long service bonus awards to all its permanent employees. In terms of the municipality's policies and practice, long service bonus awards are offered for every 5 years of completed service from 10 years to 45 years.

The actuarial valuation of the present value of the obligation at 30 June 2020 was carried out by One Pangaea Expertise and Solutions.

The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation at the beginning of the year	(2,094,586)	(2,079,668)
Non-current liabilities	(1,921,784)	(1,701,119)
Current liabilities	(172,802)	(378,549)
	(2,094,586)	**(2,079,668)**

Net expense recognised in the statement of financial performance

Current service cost	225,940	237,771
Interest cost	151,610	150,940
Actuarial (gains) losses	(189,113)	30,329
Settlement	(173,519)	(238,008)
	14,918	**181,032**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

15. Employee benefit obligations (continued)

Long service bonus awards carrying value

	2020	2019
Opening balance	2,079,668	1,898,636
Current Service Cost	225,940	237,771
Current Interest Cost	151,610	150,940
Expected Benefit Payments	(173,519)	(238,008)
Actuarial Gain or Loss	(189,113)	30,329
	2,094,586	**2,079,668**

Key assumptions used

Assumptions used at the reporting date:

	2020	2019
Discount rates used	7.82 %	8.47 %
Expected salary increase rate	3.86 %	6.09 %
Net discount rate	3.81 %	2.24 %
CPI	2.86 %	5.09 %

The municipality offers employees Long Service Awards for every five years of service completed, from ten years of services to forty-five years of service. Total Long Service Award liability is the present value of the total Long Service Award expected to become payable under the employer's current arrangements and bases on assumptions made. This may be regarded as the amount of money that should be set aside present day terms to cover all expected Long Service Award payments for current year.

16. Provisions

Reconciliation of provisions - June 2020

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	1,968,050	(49,955)	1,918,095

Reconciliation of provisions - June 2019

	Opening Balance	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	3,952,365	(1,984,315)	1,968,050

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

17. Revenue

Service Charges	22,456,098	23,696,657
Miscellaneous Income	-	98,162
Rental of Facilities and Equipment	51,461	30,052
Interest on Arrear Accounts	9,870,269	12,367,126
Other income	545,972	253,809
Interest Received on Investment	1,717,478	1,517,713
Property Rates	42,843,721	37,733,768
Government Grants and Subsidies	257,513,726	246,859,687
Public contributions and donations	9,633,164	1,252,628
	344,631,889	**323,809,602**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service Charges	22,456,098	23,696,657
Miscellaneous Income	-	98,162
Rental of Facilities and Equipment	51,461	30,052
Interest on Arrear Accounts	9,870,269	12,367,126
Sundry Income	545,972	253,809
Interest Received on Investment	1,717,478	1,517,713
	34,641,278	**37,963,519**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property Rates	42,843,721	37,733,768
Transfer revenue		
Government Grants and Subsidies	257,513,726	246,859,687
Public contributions and donations	9,633,164	1,252,628
	309,990,611	**285,846,083**

18. Service Charges

Sale of Electricity	3,786,068	4,535,057
Sale of Water	14,629,438	15,702,082
Refuse Removal	1,439,839	1,232,708
Sewerage and Sanitation Charges	2,600,753	2,226,810
	22,456,098	**23,696,657**

19. Miscellaneous Income

Miscellaneous Income	-	98,162

20. Rental of facilities and equipment

Premises		
Premises	18,307	24,566
Facilities and Equipment		
Rental of Facilities	33,154	5,486
	51,461	**30,052**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

21. Interest on arrear accounts

Interest - Receivables	9,870,269	12,367,126

22. Other Income

Photocopies	2,525	5,359
Admin Fees	695	684
Telephone Cost Reclaimed	11,913	41,582
Water Connection Fees	-	24,486
Tender documents	99,572	54,020
Building Plans	6,525	61,545
Cemetry Fees	139	217
Insurance Claims Fees	424,551	26,820
Loss on Disposal of Assets	-	15,981
Cellphone Income	-	23,009
Fines and Library	52	106
	545,972	**253,809**

23. Interest Received

Interest revenue		
Investments	1,143,479	1,052,948
Bank	573,999	464,765
	1,717,478	**1,517,713**
	-	-

24. Property Rates

Rates received

Residential	12,288,317	11,682,063
Business	21,949,976	20,860,699
State	10,385,504	9,873,938
Mining	2,791,503	2,652,976
Agricultural	5,611,161	21,377,886
Less: Rebates	(10,182,740)	(28,713,794)
	42,843,721	**37,733,768**

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014.

Rates are levied on an annual basis with the final date for payment being 30 June, 2020. Interest is levied on overdue accounts at prime plus 1% per annum.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

25. Government Grants and Subsidies

Operating grants		
Equitable Share	142,240,000	128,635,000
Financial Management Grant	2,338,399	2,215,000
Library Grant	1,266,177	1,490,000
Disaster Grant	125,000	-
LGSETA	211,812	-
	146,181,388	**132,340,000**
Capital grants		
Provincial Department of Housing Grant	-	1,518,000
Municipal Infrastructure Grant	60,025,000	54,066,348
Expanded Public Works Programme	1,318,999	1,447,000
Water Service Infrastructure	49,988,339	57,488,339
	111,332,338	**114,519,687**
	146,181,388	132,340,000
	111,332,338	114,519,687
	257,513,726	**246,859,687**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Financial Management Grant

Balance unspent at beginning of year	-	121,174
Current-year receipts	2,680,000	2,215,000
Conditions met - transferred to revenue	(2,338,398)	(2,336,174)
	341,602	**-**

Water Services Infrastructure Grant

Current-year receipts	50,000,000	57,500,000
Conditions met - transferred to revenue	(50,000,000)	(57,500,000)
	-	**-**

Expanded Public Works Programme

Current-year receipts	1,319,000	1,447,000
Conditions met - transferred to revenue	(1,319,000)	(1,447,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

25. Government Grants and Subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at beginning of year	4,769,313	6,022,355
Current-year receipts	60,025,000	58,824,000
Conditions met - transferred to revenue	(60,025,000)	(60,077,042)
Payable to National Treasury	(3,313)	-
Balance withheld from Equitable Share	(4,766,000)	-
	-	**4,769,313**

Conditions still to be met - remain liabilities (see note 14).

Provincial Department of Housing Grant

Balance unspent at beginning of year	331,727	-
Current-year receipts	-	1,518,000
Conditions met - transferred to revenue	-	(1,186,273)
Payable to National Treasury	(331,727)	-
	-	**331,727**

Conditions still to be met - remain liabilities (see note 14).

26. Public contributions and donations

Kumba Graduate Internship	726,648	1,252,628
Assmang Mining Indaba	35,426	-
Magobing West Water Supply	8,871,090	-
	9,633,164	**1,252,628**

The municipality received funds from Sishen Iron Ore - Kumba for the eradication of poverty and improving the unemployment rate in South Africa. Based on the agreement the municipality receives a donation to pay stipends for interns.

27. Employee related costs

Basic	38,347,351	37,569,484
Bonus	2,642,249	5,191,896
Medical Aid	4,459,055	4,031,247
UIF	330,590	324,662
WCA	-	552,910
SDL	431,750	461,082
Leave Pay	569,118	11,652
Pension Fund	5,829,075	6,163,515
Travel Allowances	638,562	261,705
Overtime	2,344,842	1,669,147
Long Service Costs	188,437	181,032
Transport Allowances	4,488,892	5,572,274
Housing Benefit Allowances	2,467,860	2,423,643
Cellphone Allowance	512,852	528,550
Industrial Council	(32,485)	20,633
Rural Allowance	354,915	-
	63,573,063	**64,963,432**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Employee related costs (continued)

Remuneration of Municipal Manager

Annual Remuneration	711,253	707,491
Public Office Allowance	36,721	36,000
Bonus	86,856	86,856
Backpay	34,800	-
Housing Allowance	104,856	104,856
Transport Allowance	397,000	396,000
Rural Allowance	6,969	-
	1,378,455	**1,331,203**

Remuneration of Chief Finance Officer

Annual Remuneration	568,252	483,211
Public Office Allowance	42,500	12,000
Acting Allowance	-	146,080
Bonus	-	39,981
Back Pay	109,011	-
Cellphone Allowance	14,400	11,400
Housing Allowance	175,600	40,884
Transport Allowance	228,000	145,978
Rural Allowance	101,435	-
	1,239,198	**879,534**

Remuneration of Corporate Service Director

Annual Remuneration	488,548	453,616
Public Office Allowance	119,182	85,524
Backpay	28,572	23,800
Cellphone Allowance	27,378	14,400
Housing Allowance	204,422	196,015
Transport Allowance	202,200	222,000
Rural Allowance	101,435	-
	1,171,737	**995,355**

Remuneration of Community Service Director

Annual Remuneration	550,289	455,064
Public Officer Allowance	82,680	-
Acting Allowance	-	293,550
Bonus	-	38,130
Backpay	39,530	24,907
Cellphone Allowance	14,400	12,300
Housing Allowance	84,000	11,904
Transport Allowance	198,002	62,660
Rural Allowance	91,497	-
	1,060,398	**898,515**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Employee related costs (continued)

Remuneration for Technical Services Director

Annual Remuneration	493,346	524,639
Acting Allowance	-	67,008
Bonus	-	43,960
Backpay	-	2,876
Cellphone Allowance	10,800	10,800
Housing Allowance	151,799	10,912
Transport Allowance	113,849	162,000
Rural Allowance	75,899	-
	845,693	**822,195**

Remuneration for Local Economic Development Manager

Annual Remuneration	572,961	441,214
Public Office Allowance	38,591	79,517
Bonus	36,000	-
Back Pay	28,572	22,373
Cellphone Allowance	14,400	14,400
Housing Allowance	166,800	160,400
Transport Allowance	236,000	230,000
Rural Allowance	101,435	-
	1,194,759	**947,904**

28. Remuneration of Councillors

Ordinary Councillors	5,329,532	5,630,807
Travel Allowance	4,205,841	3,140,467
Pension Fund	822,904	994,135
Data and Cellphone Allowance	1,176,600	1,287,600
Public Office Allowance	481,665	501,679
	12,016,542	**11,554,688**

29. Depreciation and Amortisation

Property, Plant and Equipment	126,611,161	126,598,769

30. Finance Costs

Current borrowings	243,891	201,187

31. Bulk purchases

Electricity	6,450,496	5,577,219
Water	5,345,849	6,289,635
	11,796,345	**11,866,854**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

32. Transfers and subsidies

Other subsidies		
Dry Sanitation VIP	28,109,382	-
Indigent subsidies	3,345,743	2,033,734
Other Transfers	3,450,894	11,109,304
	34,906,019	**13,143,038**
Grants paid to ME's	-	-
Other subsidies	34,906,019	13,143,038

33. General Expenses

Accommodation and travel	2,109,364	2,527,996
Advertisement	100,702	349,739
Auditors Remuneration	4,086,360	3,302,909
Bank Charges	246,207	437,681
Cemetery Cost	544,247	1,629,330
Cleaning	186,352	164,680
Community Development and Training	129,200	123,929
Community Participation and HIV	208,386	344,741
Computer Expenses	200,420	17,228
Conferences and Seminars	139,790	153,813
Consulting and professional fees	13,899,543	20,346,287
Settlement of dispute	1,706,161	-
Entertainment	358,103	302,692
Fuel and Oil	5,716,262	4,947,709
Hostel charges	1,000	-
IT Expenses	1,397,699	207,424
Insurance	1,438,448	566,443
Levies	75,000	-
Magazines, Books and Periodicals	10,819	220,564
Building Expenses	512,491	826,755
Motor Vehicle Expenses	1,076,461	740,329
Remote Server Hosting	3,473,929	702,539
Name Branding	-	96,499
Car Rental	1,135,422	-
Office Service Charges	4,647,419	6,724,048
Postage and Courier	7,237	35,163
Printing and Stationery	318,376	324,541
Protective Clothing	269,312	-
Pump Operating Cost	2,010,750	2,027,400
Repairs and Maintenance	3,214,198	762,665
Security Charges	3,087,817	2,208,920
Staff welfare	686,910	88,692
Stores and Materials	4,015,350	4,507,764
Subscriptions	1,736,050	688,649
Telephone and Fax	1,032,152	1,321,663
Training	790,560	767,841
Ward Committee Expenses	1,974,964	518,526
	62,543,461	**57,985,159**

34. Auditors' Remuneration

Audit Fees	4,086,360	3,302,909

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

35. Cash generated from operations

Surplus	40,606,636	70,575,159
Adjustments for:		
Depreciation and amortisation	126,611,161	126,598,769
Impairment reversals	(7,665,229)	(33,078,684)
Movements in retirement benefit assets and liabilities	14,918	311,443
Movements in provisions	(49,955)	(1,984,315)
Changes in working capital:		
Inventories	6,613,466	(12,292,243)
Impairment Reversal	9,015,851	33,078,684
Receivables from Exchange Transactions	(34,769,068)	(40,325,100)
Receivables from Non-exchange transactions	(46,641,109)	(16,501,756)
Other Receivables	(234,322)	(4,724)
Payables From Exchange Transactions	(7,413,172)	9,225,792
VAT	2,138,242	15,374,096
Unspent Conditional Grants and Receipts	(4,735,614)	(1,042,489)
Consumer Deposits	20,794	1,489
	83,512,599	**149,936,121**

36. Financial Instruments Disclosure

Categories of financial instruments

June 2020

Financial Assets

	At Amortised cost	Total
Receivables from Non-Exchange Transactions	114,200,891	114,200,891
Receivables from Exchange Transactions	159,562,125	159,562,125
VAT Receivables	26,410,061	26,410,061
Cash and cash equivalents	2,870,450	2,870,450
	303,043,527	**303,043,527**

Financial Liabilities

	At Amortised Cost	Total
Other Financial Liabilities	1,001,141	1,001,141
Payables from Exchange Transactions	55,549,099	55,549,099
Consumer Deposits	32,918	32,918
	56,583,158	**56,583,158**

June 2019

Financial Assets

	At Amortised Cost	Total
Receivables from Non-Exchange Transactions	67,559,782	67,559,782
Receivables from Exchange Transactions	124,793,057	124,793,057
VAT Receivable	28,548,303	28,548,303
Cash and cash equivalents	3,938,763	3,938,763
	224,839,905	**224,839,905**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

36. Financial Instruments Disclosure (continued)

Financial Liabilities

	At Amortised Cost	Total
Other Financial Liabilities	1,198,907	1,198,907
Payables from Exchange Transactions	62,962,270	62,962,270
Consumer Deposits	12,124	12,124
	64,173,301	**64,173,301**

37. Contingencies

Obakeng Donald Gabotshileli obo T.G THIPE vs Joe Morolong Municipality
The municipality and Eskom is being sued for damages arising from injuries sustained due to the electrical poles and electrical wire which was utilized for the purpose of distributing and transmitting electrical current in its area of jurisdication belonging to Eskom. Payment of damages to the Plaintiff in his personal or representative capacity in the sum of R12 950 000.00.

The Municipality is opposing the application.

Modise Jarvis vs Joe Morolong Local Municipality
The applicant sought to interdict the re - advertised recruitment processes of the Chief Financial Officer's vacant position.

Ho Tla Ba Thata General Trading Contract (B121/2015)
The Full Maintenance Lease Agreement (FMLA) which came to an end in August 2018 however there are outstanding disputes relating to payments.
The matter is currently being handled by respective Attorneys of the parties involved.

Ramzo Mining and Construction vs Joe Morolong Local Municipality
A claim of R326 235.00 under Bid Number: B168/2018 which is known as the tender for " Bulk diesel supply, delivery and fuel management system".
The supplier failed to perform in terms of the concerned Purchase Order issued by the Municipality.
Review Application filed against the Municipality under Case number: 841/2019
The matter is currently being settled out of Court by agreement between parties.

38. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

There was an outbreak of Covid-19 which was declared an epidemic by the World Health Organisation and following that, the South African government declared a nationwide lockdown. Inspite of the Covid-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply essential services to the communities it serves. The President of the Republic of South Africa also pledged support for all the institutions that supply critical services and a fund has also been set up to support these institutions.The municipality has also received their grants and will continue to receive grants in the foreseeable future.

It must also be noted that the municipality was negetively affected with regards to the charging of interest to customers for the period of the nationwide lockdown. The interest forgone was estimated to be around R2 496 857.

39. Events after the reporting date

There are no major events that occured after the reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

40. Unauthorised expenditure

Opening Balance	549,692,550	494,513,096
Unathorised Expenditure	38,192,022	55,179,454
	587,884,572	**549,692,550**

The unathorised expenditure for the 2018-2019 financial year has been submitted to MPAC for investigation. The unauthorised expenditure for the 2019-2020 financial year will be investigated in the next 12 months.

41. Fruitless and wasteful expenditure

Opening Balance	4,239,338	4,042,634
Fruitless and wasteful expenditure	291,290	196,704
	4,530,628	**4,239,338**

The fruitless and wasteful expenditure relates to interest charged by service providers i.e Eskom, Telkom, AGSA and DBSA on account arrears. The municipality was unable to pay these service providers' accounts on time due to late and non-payment of services and rates account by municipal consumers.

42. Irregular expenditure

Opening balance	128,506,676	125,949,361
Add: Irregular Expenditure - current year	6,763,156	2,557,315
	135,269,832	**128,506,676**

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	107,171	673,542
Amount paid - current year	(107,171)	(673,542)
	-	-

Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA

30 June 2020	**Lost units**	**Tariff**	**Value**
Unaccounted electricity losses	693,598	1.1656	808,461.25
Unaccounted water losses	278,666.8 5	2.3990	668,525

30 June 2019	**Lost units**	**Tariff**	**Value**
Unaccounted electricity losses	1,862,398	0.8176	1,522,769
Unaccounted water losses	234,139	4.9111	1,149,890
	2,096,537	**6**	**2,672,659**

Audit fees

Current year subscription / fee	3,743,444	3,302,909
Amount paid - current year	(3,743,444)	(3,302,909)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	10,106,216	8,342,466
Amount paid - current year	(10,106,216)	(8,342,466)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	6,407,809	6,163,515
Amount paid - current year	(6,407,809)	(6,163,515)
	-	-

VAT

VAT Input	26,410,061	28,548,303

VAT output payables and VAT input receivables are shown in note 8.

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Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the Annual Financial Statements.

Department	Date	Description of goods/services	Service Provider	Quotes	Amount
Technical & Corporate Services	2019/10/22, 2019/10/08, 2019/10/31, 2019/12/12, 2019/12/12, 2019/12/30	Procurement of fuel (Diesel)	Kaap Agri Bedryf	We received request Memo for procurement of diesel for 50ppm and 500ppm.We requested quotations from the following Service providers KLK Cooperative, we spoke to Frank 053 712 2222. KLD Cooperative we spoke to Ms. Grick 053 712 1250 and Kaap Agri Bedryf Limited and we spoke to Jaco 053 712 3922. KLK Cooperative and KLK Cooperative refused to provide us with quotations as they claim the Municipality does not give them business. Only Kaap Agri Bedryf Limited was able to give us quotation	R1,431,190.00
Technical & Corporate Services	25/10/2019	Repairs and Services of Mercedes Benz C220 Registration Number CNV 440 NC	Gariep Motors	We received a request memo for repairs and servies. Reqesting three quotation for services and repairs is not supported by SCM in order to avoid incurring fruitless expenditure (strip and quote fee)	R15,926.40
Technical Services	03/10/2019	Repairs and Services of Mercedes Benz C220 Registration Number CNV 439 NC	Zelco Motors	We received a request memo for repairs and Services. Reqesting three quotation for services and repairs is not supported by SCM in order to avoid incurring fruitless expenditure (strip and quote fee)	R50,736.40
Technical Services	19/12/2019	Car Rental	Imperial Truck Logistics	Due to huge demand for basic services during festive season. The council took resolution to hire single and double caps bakkies, reason being the Municipal bakkies were not road worthy and have contractual issues with service provider. • The municipality is currently being serviced by one vehicle.• Only Imperial Logistics and Avis Van Rentals responded with quotations. Europe Car and Budget Car Rental they requested that we open an account first before they can quote.	R363,836.20
Fleet Service	24-Jan-20	Payment of Access	Slabbert	We received a request memo for payment of R3 000.00 to Slabbert Auto Body Repairs Kuruman CC for repairing Municipal Vehicle Registration Number CMN 195 NC. Slabbert Auto Body Repairs Kuruman was authorized and appointed by the insurer to do the repairs on the vehicle. It is therefore deemed impractical to follow normal procurement processes.	R3,000.00
Internal Audit	22-Jan-20	License Fee, Customisation, Installation of Team Mate Software	Wolters Kluwer Tax & Acc	Wolters Kluwer Tax & Acc is the sole provider of Team Mate Software used by Internal Auditors	R246,494.68
Speaker's Office	13/01/2020	Acommodation for 14 Councillors attending Municipal Governance Classes.	Road Lodge Potchestroom	Majority of Hotels and Guest House Potchestroom could not accommodate more than 10 officials and were fully booked. The quotes we received were above R30 000,00 which request the quote to be advertised for atleast 7 days on the notice board and Municipal Website. Road Lodge and Willows are the only two hotels having space for 14 people responded with quotes. Road Lodge was the lowest.	R44,352.00

44. Deviation from supply chain management regulations (continued)

Speaker's Office, Corporate Services, Municipal Manager	20/01/2020	Accommodation for Councillor Witbooi, Sephekolo Seikaneng and Kaotsane, Mr. Gopetse and Mr. Khokhong	Garden Court East London	The majority of hotels in East London were qouting above R30 000,00 and it was impratical for the bid to be advertised for seven days as required by supply chain processes due to the fact that officials were supposed to attend registration and classes the following week.	R55,350.00
Technical and Corporate Services	1/2020, 12/06/2	Procurement of fuel (Diesel)	Kaap Agri Bedryf	We received request Memo for procurement of diesel for 50ppm and 500ppm. We requested quotations from the following Service providers KLK Cooperative(Frank 053 712 2222). KLD Cooperative(Ms. Grick 053 712 1250) and Kaap Agri Bedryf Limited(Jaco 053 712 3922). KLK Cooperative and KLK Cooperative refused to provide us with quotations as they claim the Municipality does not give them business. Only Kaap Agri Bedryf Limited was able to give us quotation.	R3,137,908.33
Corporate Services	-	We received a request MEMO to appoint medical practitioner for annual medical check-up of the Municipal employees.	Dr. Kgoa	We requested quotes from different Practitioners, Dr. Kgoa Practice in Corporation 053741 5959, Dr. Moremi & Partners 053712 1304, Hotazel Manganese Mine Clinic 053742 2164, Doctor Voster A W J. 053742 2164. Only Dr. Kgoa Practice in Corporation and Dr. Moremi responded to our call. Many Medical Practioners around Kuruman are not registered on the Central Supplier Database	R96,000.00
Corporate Services	26/03/2020	Service and repair municipal vehicles	Dup Workshops	We received a requisition to source a service provider who will be able to service and repair for CMF 867 NC. We were unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incuring strip and quote fee from all service providers	R60,461.89
Corporate Services	10-Jun-20	Service and repair municipal vehicles	L & D Services	We received a requisition to source a service provider who will be able to service and repairs for CMF 867 NC. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incuring strip and quote fee from all service providers	R73,053.97
Corporate Services	31/03/2020	Procurement of PPE for Covid-19	Thepa Trading 590	National Treasury SCM Instruction Note 3 of 2016/17 — Preventing and Combating Abuse in the Supply Chain Management System, paragraph 8.1 , states that accounting officers/accounting authorities must only deviate from inviting competitive bids in cases of emergency and sole supplier status 8.2 thereof further states that emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an agency to action and there is insufficient time to invite competitive bids.3.3 The Covid-19 pandemic is a situation that justifies the use of emergency procurement provisions.	R67,100.00
Corporate Services	06/03/2020, 22	Service and repair municipal vehicles	Kurhill Solution	We received a requisition to source a service provider who will be able to service and repairs municipal vehicles. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incuring strip and quote fee from all service providers	R375,792.87

44. Deviation from supply chain management regulations (continued)

Corporate Services	23/04/2020	Sanitizers for the Churchill Main Offices and three Saelite Offices	Kaupe Projects & Transport	National Treasury SCM Instruction Note 3 of 2016/17 — Preventing and Combating Abuse in the Supply Chain Management System, paragraph 8.1 , states that accounting officers/accounting authorities must only deviate from inviting competitive bids in cases of emergency and sole supplier status 8.2 thereof further states that emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an agency to action and there is insufficient time to invite competitive bids.3.3 The Covid-19 pandemic is a situation that justifies the use of emergency procurement provisions.	R145,380.00
Corporate Services	29/05/2020	Procurement of PPE for Covid-19	Remofilwe Investments	National Treasury SCM Instruction Note 3 of 2016/17 — Preventing and Combating Abuse in the Supply Chain Management System, paragraph 8.1 , states that accounting officers/accounting authorities must only deviate from inviting competitive bids in cases of emergency and sole supplier status 8.2 thereof further states that emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an agency to action and there is insufficient time to invite competitive bids.3.3 The Covid-19 pandemic is a situation that justifies the use of emergency procurement provisions.	R96,000.00
Municipal Manager	11/06/2020	Procurement for Advert and Slot for Draft Budget and IDP for 2020/21 Financial Year	Kurara FM	We received a request MEMO to place an advert on the local radio station and procure a slot for presentation of Draft IDP and Budget 2020/21 Financial year by the Mayor on Local Radio Station. There are two radio station that broadcast in Setswana: namely Motsweding FM and Kurara FM. The target for the Mayor's presentation are the residents of Joe Morolong and John Taolo Gaetsewe as a whole. Placing an advert on Motsweding and procurement of slot would be expensive as it is a national radio station hence the support to procure advert and slot at Kurara FM.	R8,300.00
Corporate Services	02/06/2020	Office Sanitizer	Around the moon	National Treasury SCM Instruction Note 3 of 2016/17 — Preventing and Combating Abuse in the Supply Chain Management System, paragraph 8.1 , states that accounting officers/accounting authorities must only deviate from inviting competitive bids in cases of emergency and sole supplier status 8.2 thereof further states that emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an agency to action and there is insufficient time to invite competitive bids.3.3 The Covid-19 pandemic is a situation that justifies the use of emergency procurement provisions.	R155,117.00
Fleet Management Services	15/06/2020	Service and repair municipal vehicles	Autogeek Diagnosis	We received a requisition to source a service provider who will be able to service and repairs for CMF 867 NC. We are unable to source three quotations as per SCM policy, due to the nature of the work, it will result in the municipality incuring strip and quote fee from all service providers	R184,015.57

44. Deviation from supply chain management regulations (continued)

Corporate Services	03/06/2020	Procurement of PPE	Remofilwe Investment	National Treasury SCM Instruction Note 3 of 2016/17 — Preventing and Combating Abuse in the Supply Chain Management System, paragraph 8.1 , states that accounting officers/accounting authorities must only deviate from inviting competitive bids in cases of emergency and sole supplier status 8.2 thereof further states that emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an agency to action and there is insufficient time to invite competitive bids.3.3 The Covid-19 pandemic is a situation that justifies the use of emergency procurement provisions.	R28,992.00
Corporate Services	25/06/2020	Procument of Zoom Meeting Pro License	TechSonic	Council will be holding a council meeting from time to time: The disaster Management Regulations no: 43291, paragraph 6,7,3 states that, all meetings of council, tribunals and entities must be done using media platforms such as telecoconferencing and video conferencing. Therefore, Zoom meeting Pro License be urgently purchased for councillors and officials in order for them to be able to participate in council meetings and workshop	R3,137.41
Technical Services	24/06/2020	Procurement of Tyre Puncture	Namz Tyres	Tyre puncture breakdown - This incident happened after hours. We called the following Service Providers. Tiger Wheels & Tyres (0530300200), Budget Auto Spares (0606333321) and Namz Tyres (Pty) Ltd(078 568 9684) to assist us on the breakdown. Tiger wheels & Tyres and a Budget Auto Spares were unavailable to assist us because it was after working hours. Only Namz (Pty) Ltd was able to assist us after working hours.	R4,752.20
Corporate Services	18/06/2020	Municipal Office Disinfection	Remofilwe Investment	National Treasury SCM Instruction Note 3 of 2016/17 — Preventing and Combating Abuse in the Supply Chain Management System, paragraph 8.1 , states that accounting officers/accounting authorities must only deviate from inviting competitive bids in cases of emergency and sole supplier status 8.2 thereof further states that emergency procurement may occur when there is a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an agency to action and there is insufficient time to invite competitive bids.3.3 The Covid-19 pandemic is a situation that justifies the use of emergency procurement provisions.	R110,000.00
Municipal manager	22/06/2020	Accommodation, Training Venue and Catering for Ward Committee Training LGSETA	Leisure Time inn	We received a request memo to urgently arrange Accommodation, Training venue and and Catering for Ward Committee LGSETA Training on the 22/06/2020. The training was scheduled to commence on the 23/06/2020. The requested indicated that they were under the impression that due to Covid-19 pandemic, the ward committee training will be to a later date, however the funder was adamant on the scheduled date or we would lose the allocated funds. As per supply chain policy all procurements above R200000,00 it should be competitive bidding but due to time constraints and possibility of losing funds by LGSETA it is possible to comply with the SCM policy	R836,800.00

45. Prior period errors

45. Prior period errors (continued)

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Assets						
Current Assets						
Inventories	4	1,666,576	12,113,801	-	13,780,377 [1]	
Receivables from Non-Exchange Transactions	7	36,662,542	30,897,240	-	67,559,782 [2]	
VAT receivable	8	-	28,548,303	-	28,548,303 [4]	
Receivables from exchange transactions	6	106,950,506	17,842,551	-	124,793,057 [3]	
Cash and Cash Equivalents	3	3,736,418	204,730	-	3,941,148 [5]	
		179,155,617	**59,467,050**	**-**	**238,622,667**	
Non-Current Assets						
Property, Plant and Equipment	9	1,286,536,423	246,653,649	-	1,533,190,072 [6]	
Intangible Assets	10	980,829	1,582,575	-	2,563,404 [7]	
		1,287,517,252	**248,236,224**	**-**	**1,535,753,476**	
Non-Current Assets		1,287,517,252	248,236,224	-	1,535,753,476	
Current Assets		179,155,617	59,467,050	-	238,622,667	
Total Assets		**1,466,672,869**	**307,703,274**	**-**	**1,774,376,143**	
Liabilities						
Current Liabilities						
Other Financial Liabilities	11	196,450	-	-	196,450	
Payables From Exchange Transactions	12	79,638,149	(16,675,879)	-	62,962,270 [8]	
Consumer deposits	13	10,635	1,489	-	12,124 [9]	
Employee Benefit Obligation	15	3,491,320	(3,112,771)	-	378,549 [10]	
Unspent Conditional Grants and Receipts	14	6,402,893	(1,301,853)	-	5,101,040 [11]	
Bank Overdraft	3	4,578	(2,193)	-	2,385	
		89,744,025	**(21,091,207)**	**-**	**68,652,818**	
Non-Current Liabilities						
Other Financial Liabilities	11	1,002,457	-	-	1,002,457	
Employee Benefit Obligation	15	1,701,119	-	-	1,701,119	
Provisions	16	1,984,315	(16,265)	-	1,968,050 [12]	
		4,687,891	**(16,265)**	**-**	**4,671,626**	
Non-Current Liabilities		4,687,891	(16,265)	-	4,671,626	
Current Liabilities		89,744,025	(21,091,207)	-	68,652,818	
Total Liabilities		**94,431,916**	**(21,107,472)**	**-**	**73,324,444**	
Assets		1,466,672,869	307,703,274	-	1,774,376,143	
Liabilities		(94,431,916)	21,107,472	-	(73,324,444)	
Net Assets		**1,372,240,953**	**328,810,746**	**-**	**1,701,051,699**	
Accumulated Surplus		1,372,240,953	328,810,746	-	1,701,051,699 [13]	

* See Note 45

45. Prior period errors (continued)

Statement of Financial Performance

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated	Re
Revenue						
Revenue from exchange transactions						
Service charges	18	11,636,895	12,059,762	-	23,696,657 [14]	
Miscellaneous Income		98,162	-	-	98,162	
Rental of facilities and equipment	20	30,052	-	-	30,052	
Interest from arrear accounts		12,367,126	-	-	12,367,126	
Sundry income	22	253,808	1	-	253,809	
Interest received - investment and Bank account	23	1,517,713	-	-	1,517,713	
Total revenue from exchange transactions		**25,903,756**	**12,059,763**	**-**	**37,963,519**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	24	19,803,708	17,930,060	-	37,733,768 [15]	
Transfer revenue						
Government grants & subsidies	25	247,697,027	(837,340)	-	246,859,687 [16]	
Public contributions and donations	26	1,252,628	-	-	1,252,628	
Total revenue from non-exchange transactions		**268,753,363**	**17,092,720**	**-**	**285,846,083**	
		25,903,756	12,059,763	-	37,963,519	
		268,753,363	17,092,720	-	285,846,083	
Total revenue	17	**294,657,119**	**29,152,483**	**-**	**323,809,602**	
Expenditure						
Employee related costs	27	(69,017,492)	-	4,054,060	(64,963,432) [17]	
Remuneration of councillors	28	(11,554,688)	-	-	(11,554,688)	
Depreciation and amortisation	29	-	(126,598,769)	-	(126,598,769) [18]	
Impairment loss/ Reversal of impairments	46	-	33,078,684	-	33,078,684 [19]	
Finance costs	30	(201,187)	-	-	(201,187)	
Operating Lease Rentals		(3,412,468)	-	3,412,468	-	
Bulk purchases	31	(11,866,854)	-	-	(11,866,854)	
Contracted services		(24,089,692)	-	24,089,692	- [20]	
Transfers and Subsidies	32	(13,143,038)	-	-	(13,143,038)	
Fair value adjustments		-	-	-	-	
General Expenses	33	(36,469,856)	-	(21,515,303)	(57,985,159) [21]	
Total expenditure		**(169,755,275)**	**(93,520,085)**	**10,040,917**	**(253,234,443)**	
		-	-	-	-	
Total revenue		-	-	344,631,889	323,809,602	
Total expenditure		(169,755,275)	(93,520,085)	10,040,917	(253,234,443)	
Operating surplus/deficit		(182,953)	182,953	-	-	
Surplus before taxation		(169,938,228)	(93,337,132)	-	70,575,159	
Taxation		-	-	-	-	
Surplus for the year		**(169,938,228)**	**(93,337,132)**	**-**	**70,575,159**	

[1] Inventory was adjusted by R12,113,801 for movements during the current period.The movement was made up of dry toilets built for the community but were not yet transfered to the community thus recognised as inventory.

[2] Receivables from non-exchange transactions was adjusted by R30,897,240. This adjustment was due to the levying of Property Rates in 2020 for the prior year 2019.

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*

45. Prior period errors (continued)

[3] Receivables from exchange transactionse was adjusted by R17,842,551

[4] VAT was understated by R28,548,303 and the error was adjusted after reviewing prior year VAT returns and SARS statements and adjustments done accordingly.

[5] Cash and cash equivalents was restated by 202,345 due to correction of prior year mappings of the bank accounts..

[6] Property, plant and equipment was adjusted for errors that occured between Asset Register and General Ledger in the prior year of R246,653,649.

[7] Intangible assets was incorrectly recognised as an expense resulting in an understatement of intangible assets in the prior year with an amount of 1,582,575

[8] Trade payables and accruals were adjusted by the same amount of R(16,675,879). This was due to amounts erroneously posted in the creditors account that relate to 2017/2018.

[9] Consumer Deposits was adjusted by 1,489 . In the prior year the balance was disclosed without VAT, which has been adjusted accordingly.

[10] Employee Benefit Obligation was adjusted by (3,112,771) This was as a result of the actuarial valuation report

[11] Unspent conditional grants and receipts was adjusted down by (1,301,853). This was due to the grants in the prior year being overstated.

[12] The provisions for the Land Rehabilitation were adjusted by (16,265)in the prior year. This was a result of revised calculations by newly appointed Consultants

[13] Accumulated surplus was adjusted by R328,810,746 due to other adjustments from various components of the financial statements, predominantly property, plant and equipment.

[14] Service charges were adjusted by R12,059,762. This is due to billing that was done for the prior year.

[15] Property rates were readjusted by R17,930,060.This is due to billing that was done for the prior year.

[16] Government grants & subsidies was adjusted by (837,340). This is the revised realisation based on the adjustment of the unspent grants and subsidies.

[17 Employee related costs were adjusted by 4,054,060 . There was a reclassification of travel and subsistance from being disclosed under employee related costs to being disclosed under general expenditure.

[18] Depreciation was adjusted by (126,598,769). This is as a result of recognition of depreciation that was not dislosed in the prior year

[19] Impairment reversal was adjusted by 33,078,684 . There was a reduction in the movement of the impairment on debtors for the prior year.

[20] Consulting fees were reclassified from General expenses to Contracted services and were adjusted by a reclassification of R24,089,692

[21] General expenses were adjusted by R(21,515,303) and Consulting fees were reclassified from General expenses to Contracted services and were adjusted by R(21,515,303)

The accounting policies on pages 15 to 41 and the notes on pages 42 to 72 form an integral part of the annual financial statements.

* See Note 45

Figures in Rand	Note(s)	2020	2019 Restated*

46. Impairment of assets

Impairments		
Property, Plant and Equipment	1,350,622	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Reversal of impairments		
Trade and other receivables	(9,015,851)	(33,078,684)
. The Municipalilty billed property rates for 2018/2019 and 2019/2020 at once in current year prompting us to reverse impairment.		
	1,350,622	-
	(9,015,851)	(33,078,684)
Total impairment losses (recognised) reversed	**(7,665,229)**	**(33,078,684)**

47. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	194,277	806,864	-	-
Payables From Exchange Transactions	55,549,099	-	-	-
Consumer Deposits	32,918	-	-	-
Employee Benefit Obligation	172,802	1,921,784	-	-
Unspent Conditional Grants and Receipts	365,426	-	-	-

At 30 June, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	196,450	1,002,457	-	-
Payables From Exchange Transactions	62,962,270	-	-	-
Consumer Deposits	12,124	-	-	-
Employee Benefit Obligation	378,549	1,701,119	-	-
Unspent Conditional Grants and Receipts	5,101,040	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

47. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	June 2020	June 2019
Receivables from Non-Exchange transactions	114,200,891	67,559,782
Receivables from Exchange transactions	159,562,125	124,793,057
Cash and cash equivalents	2,870,450	3,938,763

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk..

48. Related parties

There were no senior managers and Councillors who received any services from the municipality in the year under review. Refer to note 27 and 28 for the remuneration of councillors and senior managers.

* See Note 45